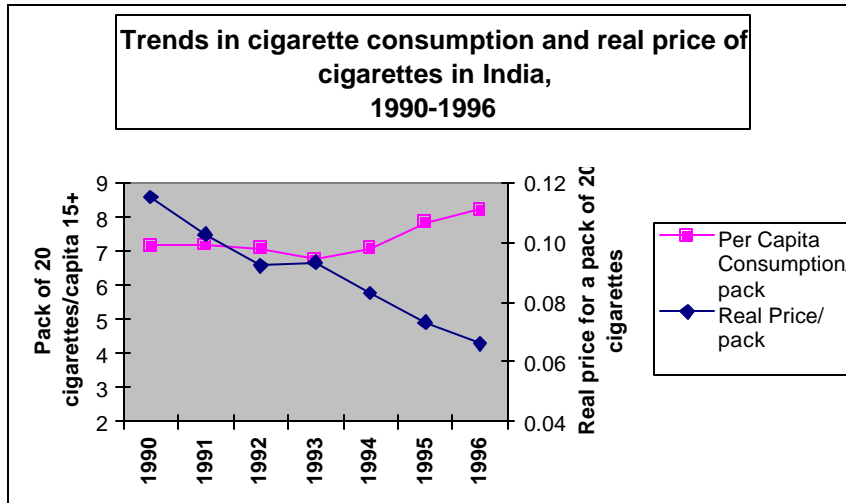
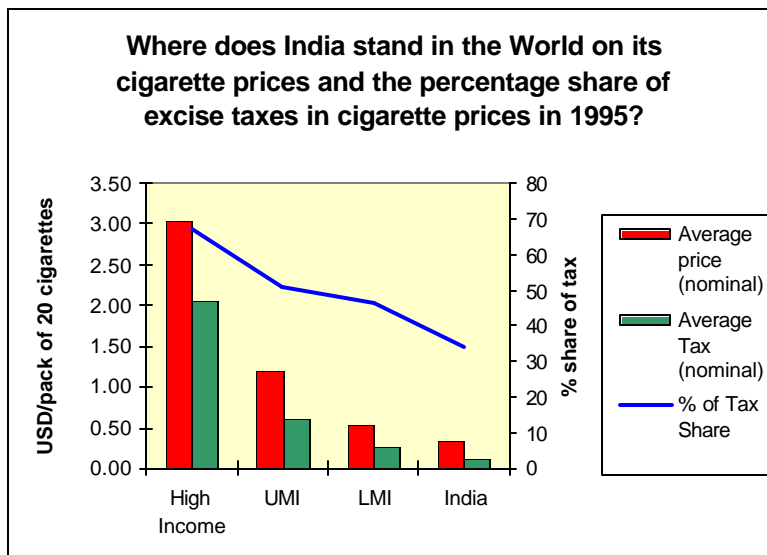


ECONOMICS OF TOBACCO IN INDIA

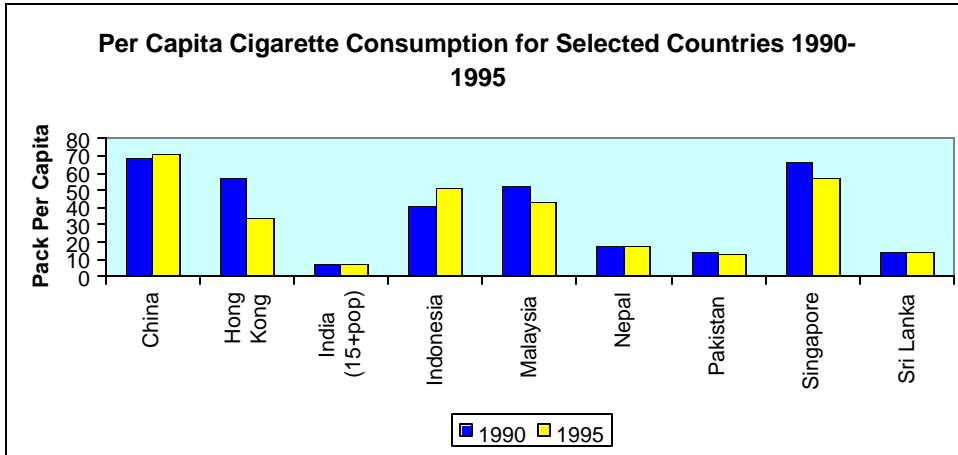
?? Cigarette consumption is very sensitive to changes in price. During 1990-1996, real price of cigarettes (white sticks) has decreased by 43%, and consumption per pack has increased by 14.5%.



?? In 1995, cigarette excise tax is 34.2% of the average retail price of a pack of 20 cigarettes. This rate is well below the average share of taxes in cigarette prices in high-income, upper-middle income and lower-middle income countries.

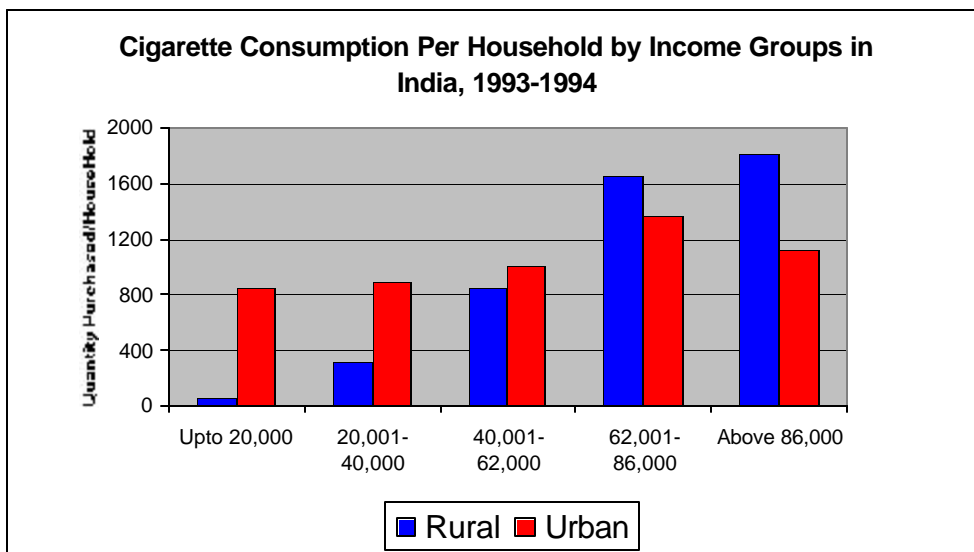


?? During 1990-1995, Cigarette consumption has increased only in **China, India and Indonesia**. Other countries have experienced decrease in cigarette consumption.

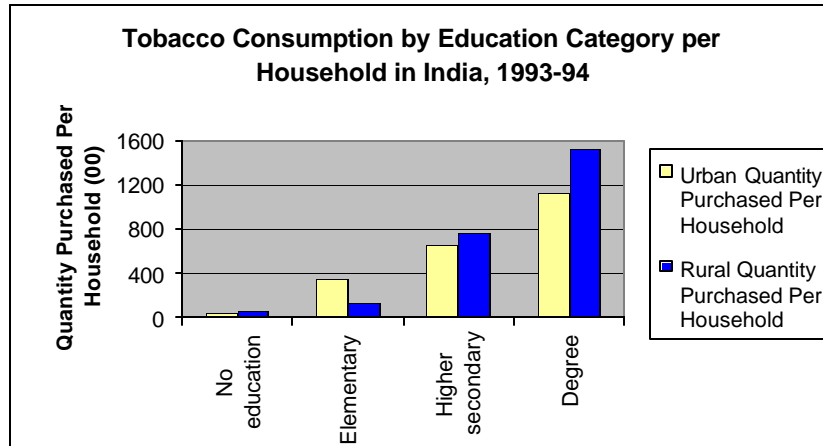


WHO ARE THE SMOKERS IN INDIA

- ?? Upper-middle income households consume the highest cigarettes in urban and rural areas. Although consumption declines in higher income group in urban areas, increasing consumption trend is observed in rural higher-income households.
- ?? Poor households in rural areas are the lowest cigarette consumers.
- ?? The gap between urban and rural households in cigarette consumption is the highest in low and lower-middle income households. Urban low and lower-middle income households consume more cigarettes compared to the similar income groups in rural areas.

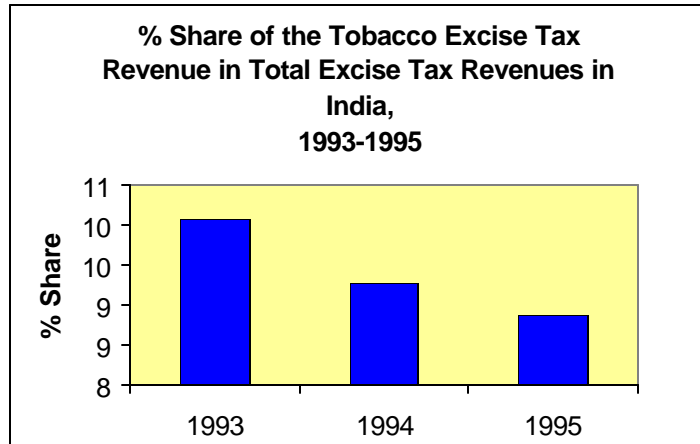


?? Most developed countries has observed lower cigarette consumption in higher educated groups. This is the opposite in India. As the education increases, in urban and rural households with a higher education smoke more cigarettes compared to lower educated households.

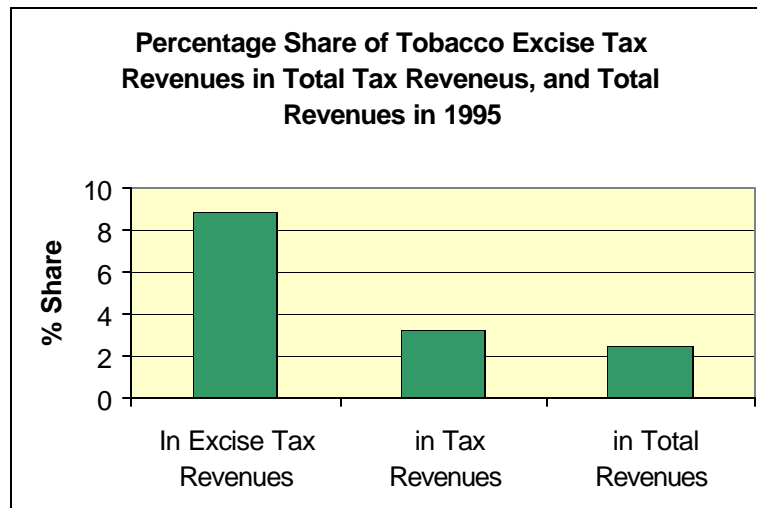


GOVERNMENT REVENUES

- ?? Excise taxes from cigarettes contributes 8.8% of total excise tax revenues. The share of cigarette excises in total excise tax revenues has declined from 10% in 1993 to 8.8% in 1995.

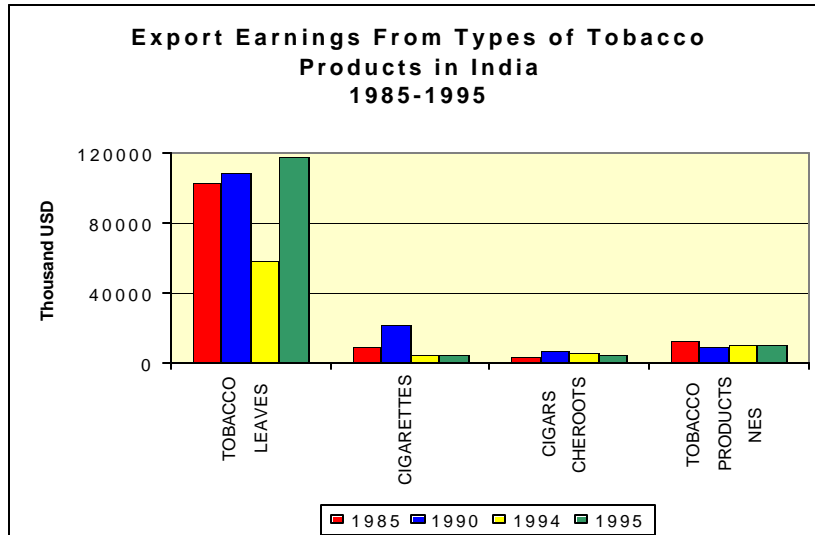


- ?? Excise taxes from tobacco products (including cigarettes, bidis, and others) contribute 3.3% of total tax revenues, and 2.6% of total revenues in India.

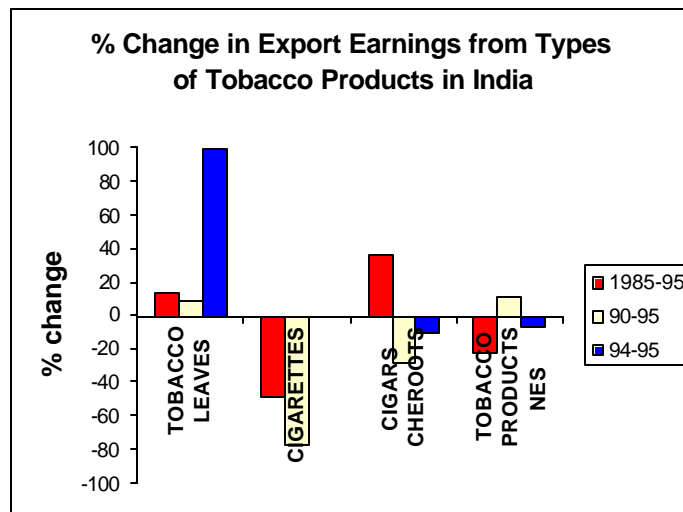


TOBACCO EXPORT EARNINGS

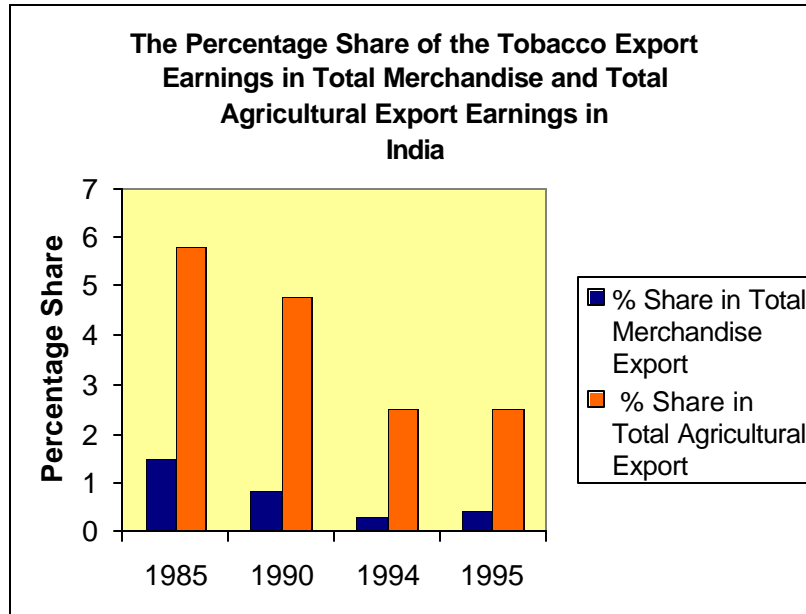
?? Among the types of tobacco products, India earns highest export income from tobacco leaves.



?? Export earnings from cigarettes have been declining since 1985. The highest decline has occurred during the 1990-95 by 76%. Between 1994-1995, only tobacco leaves export earnings showed an increase (99%). Other tobacco products export earnings has negative increase in 1995 compared to 1994.



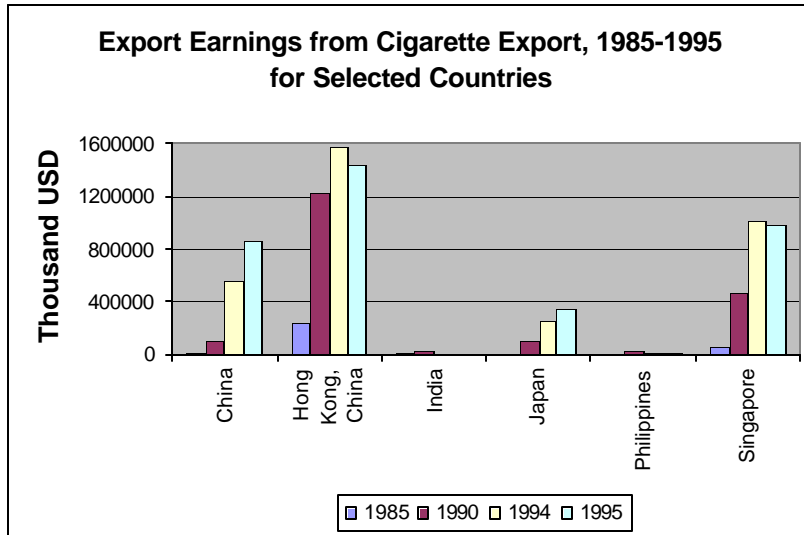
?? Total tobacco export's earnings has decreasing share in total merchandise export and total agricultural export earnings during the 1985-1994. Its share in the total merchandise export earning has increased from 0.3% in 1994 to 0.4% in 1995. During 1994-1995, the share of the tobacco export earnings in



agricultural export earnings has not changed (2.5%).

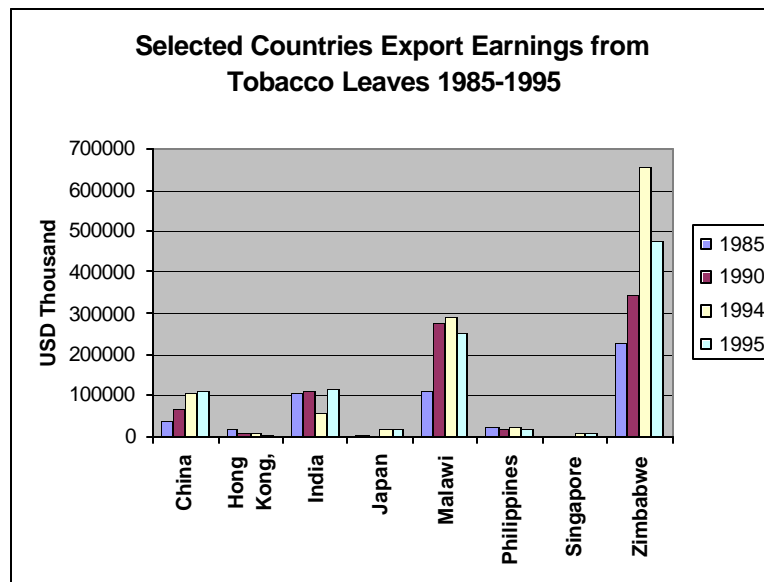
WHERE DOES INDIA STAND ON WORLD CIGARETTE AND TOBACCO LEAVES EXPORT EARNINGS?

?? Export earnings from cigarette export was the lowest in 1995 when compared to the export earnings of other tobacco products.



?? In 1995, tobacco leaves earned export income of USD117 million. Other tobacco products such as cigar and cherots has USD 5.3 million, cigarettes USD 5.2 million and other types USD 10.5 million.

?? Export earning from tobacco leaves was comparable to China in 1995.



SMUGGLING

?? Smuggling is not an issue in India. Based on World Bank estimates, less than 1 to 2% of domestic consumption is smuggled cigarettes.